

Message Text

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T:LBENSON

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C O N F I D E N T I A L STATE 297260 TOSEC 120162

EXDIS

E.O. 11652: GDS

TAGS: E A I D

SUBJ: ACTION MEMORANDUM: APPEAL OF THE PRESIDENT'S
DECISIONS ON THE FY 79 STATE AND AID BUDGETS
S/S 7731206

TO THE SECRETARY FROM CHRISTOPHER

ISSUE FOR DECISION:

YOU ARE SCHEDULED TO MEET WITH THE PRESIDENT ON
DECEMBER 19 TO DISCUSS HIS DECISIONS ON THE FOREIGN
ASSISTANCE PROGRAMS AND TO MAKE WHATEVER APPEALS YOU BELIEVE
CONFIDENTIAL

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APPROPRIATE. A MEMORANDUM FROM YOU TO THE PRESIDENT LISTING
ALL APPEALS AND THEIR RATIONALE MUST BE SUBMITTED TO OMB BY
WEDNESDAY MORNING. THIS CABLE PRESENTS FOR YOUR APPROVAL
A DRAFT APPEAL MEMO TO THE PRESIDENT ON THE BUDGETS FOR
DEVELOPMENT ASSISTANCE AND SECURITY ASSISTANCE. WHERE
THERE IS A DISPUTE WITHIN THE DEPARTMENT ON AN ISSUE, WE
PRESENT THE OPTIONS TO YOU. IN CONSIDERING EACH, YOU MIGHT
WISH TO BEAR IN MIND THE ADVICE OF MCINTYRE AND HIS STAFF
THAT IT WOULD BE MOST EFFECTIVE TO RECLAMA THE MINIMUM

NUMBER OF ITEMS POSSIBLE.

IF YOU ARE UNABLE TO REVIEW THIS, DUE TO THE PRESSURES I KNOW YOU ARE UNDER, I WILL MAKE THE NECESSARY DECISIONS AND SEND THE MEMORANDUM OVER MY NAME. YOU COULD THEN MAKE ANY CHANGES YOU WISH WHEN YOU MEET WITH THE PRESIDENT.

-- BEGIN DRAFT TEXT OF MEMORANDUM TO PRESIDENT

TO: THE PRESIDENT
FROM: CYRUS VANCE
SUBJECT : APPEAL OF YOUR DECISIONS ON THE FY 79 BUDGETS FOR DEVELOPMENT ASSISTANCE AND SECURITY ASSISTANCE

THIS MEMORANDUM PRESENTS MY APPEAL ON SOME OF YOUR DECISIONS INVOLVING THE STATE AND AID BUDGET REQUESTS FOR FY 1979. THE APPEALS ARE DISCUSSED IN TWO SECTIONS: THE AID BUDGET FOR FY 79 AND THE FY 79 SECURITY ASSISTANCE BUDGET.

I. DEVELOPMENT ASSISTANCE.

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YOUR DECISIONS ON THE DEVELOPMENT ASSISTANCE BUDGET REDUCED THE AID REQUEST FROM DOLS 1781 MILLION TO DOLS 1591 MILLION, AN INCREASE OF 11 PERCENT OVER FY 1978.

WE SHALL NOT APPEAL CUTS IN AID OPERATING EXPENSES AND SEVERAL OTHER PROGRAMS, TOTALLING DOLS 65 MILLION.

OMB HAS AGREED TO ADD DOLS 2 MILLION IN THE MULTILATERAL ACCOUNT FOR THE UN CAPITAL DEVELOPMENT FUND AND TO ALLOW REPROGRAMMING OF UP TO DOLS 3 MILLION FROM UNRWA TO UNICEF.

THE MAJOR ISSUE WE WISH TO APPEAL INVOLVES THE OVERALL AID BUDGET LEVEL.

OVERALL AID LEVEL: I AM APPEALING FOR A RESTORATION OF DOLS 125 MILLION TO THE OVERALL AID LEVEL. THIS

WOULD BRING THE FY 79 PROPOSED AID LEVEL UP TO DOLS 1716 MILLION, 20 PERCENT OVER THE ACTUAL LEVEL FOR FY 78, STILL LESS THAN THE 27 PERCENT INCREASE IN 1978 OVER 1977. CONGRESSIONAL CUTS MAY REDUCE THIS FURTHER.

I BELIEVE THIS IS THE MINIMUM WE NEED TO FULFILL CREDIBLY THE US PLEDGE TO INCREASE SUBSTANTIALLY OUR FOREIGN ASSISTANCE. IN TERMS OF OUR TOTAL COMMITMENTS OF OFFICIAL DEVELOPMENT ASSISTANCE, GRANTING THIS APPEAL

WOULD RESULT IN A PROPOSED INCREASE IN 1979 OVER 1978 OF 12 PERCENT, AS COMPARED TO AN ACTUAL INCREASE IN 78 OVER 77 OF 25 PERCENT. (YOUR ORIGINAL DECISION WOULD PROVIDE AN INCREASE IN ODA IN 1979 OF ONLY 9 PERCENT.) FINALLY, THE RESTORATION WOULD FACILITATE FULFILLMENT OF OUR CIEC PLEDGE TO INCREASE AID TO THE POOREST LDCS BY DOLS 375 MILLION OVER THE PERIOD 1978-79. WITHOUT THE RESTORATION, AND WITH CONGRESSIONAL CUTS OF AS LITTLE AS 2 PERCENT (THE USUAL CUT IS 6 PERCENT), WE WILL BE UNABLE TO
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FULFILL THAT PLEDGE.

OMB AGREES THAT, IF YOU ACCEPT THIS RESTORATION, IT COULD INCLUDE THE FOLLOWING ELEMENTS: (IF YOU DO NOT ACCEPT THIS RESTORATION ENTIRELY, I HOPE YOU WILL STILL CONSIDER EACH ELEMENT ON ITS MERITS.)

1. DOLS 64 MILLION IN DEVELOPMENT PROJECTS, WHICH ACCORDING TO OUR ZBB PRIORITY LISTING, WOULD INCLUDE -

-- PROJECTS INVOLVING INTEGRATED HEALTH CARE INCLUDING FAMILY PLANNING SERVICES, DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, AND SMALL SCALE IRRIGATION AND RURAL FEEDER ROADS IN THE PHILIPPINES;

-- RURAL DEVELOPMENT AND REFUGEE RESETTLEMENT IN THAILAND;

-- A POPULATION PROGRAM IN MEXICO (WHICH HAS ONE OF THE HIGHEST BIRTH RATES IN THE WORLD);

-- A RURAL FARM CREDIT PROGRAM IN TUNISIA;

-- PROJECTS IN RURAL HEALTH AND GRAIN STORAGE FACILITIES IN SUCH CHRONIC FOOD DEFICIT COUNTRIES AS RWANDA AND BURUNDI; AND

-- A PROJECT IN GUINEA-BISSAU TO EXPAND RICE PRODUCTION IN THIS RESOURCE-POOR COUNTRY.

THESE PROJECTS COULD BE FUNDED BY REPROGRAMMING, BUT ONLY AT THE EXPENSE OF SIMILAR PROJECTS ELSEWHERE.

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BASED ON OUR ZBB PRIORITIES, WITHOUT THE RESTORATION I AM REQUESTING, THE TOTAL REGIONAL PROGRAMS FOR AFRICA AND EAST ASIA (INCLUDING SSA AND AID DEVELOPMENT ASSISTANCE FUNDING) WOULD ACTUALLY DECLINE IN FY 79 FROM

THE FY 78 LEVELS. WE ARE ON RECORD AS PROMISING INCREASED RATHER THAN DECREASED INTEREST IN THESE AREAS IN THE FUTURE.

2. AN ADDITIONAL DOLS 15 MILLION IN PROJECTS FOR THE SAHEL, WHICH WOULD RESTORE PLANNED PROGRAM LEVELS UP TO OUR ORIGINALLY PROPOSED LEVEL OF DOLS 95 MILLION FOR THE SAHEL DEVELOPMENT PROGRAM, INCLUDING A PROJECT IN UPPER VOLTA TO ELIMINATE RIVER BLINDNESS AND PERMIT RESETTLEMENT IN THE VOLTA RIVER VALLEY AND A PROJECT TO PROVIDE BASIC MEDICAL CARE TO RURAL PEOPLE IN MAURITANIA. THE US SHARE OF TOTAL DONOR ASSISTANCE TO THE SAHEL AT THE DOLS 95 MILLION LEVEL WOULD BE ONLY 9 PERCENT. TO REDUCE IT FURTHER WOULD SIGNAL A LESSENING OF US SUPPORT FOR THE CLUB DU SAHEL AND POSSIBLY UNDERMINE THIS INNOVATIVE APPROACH TO REGIONAL DEVELOPMENT OF POOR COUNTRIES AND DISCOURAGE OTHER DONORS.

3. SUPPORT FOR US LAND AND SEA GRANT UNIVERSITIES UNDER TITLE XII OF THE FOREIGN ASSISTANCE ACT. RESTORATION OF DOLS 10 MILLION OF THE DOLS 15 MILLION BY WHICH YOU REDUCED THE PROGRAM FOR TITLE XII UNIVERSITIES WILL PERMIT US TO IMPLEMENT A COLLABORATIVE PROGRAM TO INCREASE THE QUANTITY AND QUALITY OF TRAINED EXPERTS AVAILABLE ON UNIVERSITY STAFFS TO CARRY OUT AID AGRICULTURAL PROGRAMS IN LDCS. THE PROGRAM REQUIRES A MATCHING OF AID FUNDS FROM NON-FEDERAL UNIVERSITY FUNDS, THUS DOUBLING THE TOTAL RESOURCES IN THE PROGRAM. THIS PROGRAM IS VERY POPULAR ON THE HILL AND ITS SUPPORTERS ARE STRONG ADVOCATES OF OUR OVERALL FOREIGN ASSISTANCE EFFORT.

4. AN ADDITIONAL DOLS 36 MILLION FOR CARIBBEAN
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PROGRAMS, INCLUDING DOLS 6 MILLION FOR A RURAL FEEDER ROADS PROJECT IN GUYANA AND DOLS 30 MILLION FOR EMPLOYMENT, PRODUCTION AND REGIONAL INTEGRATION ACTIVITIES. WHILE THESE PROGRAMS ARE STILL AT AN EARLY STAGE OF DEVELOPMENT, I BELIEVE IT IS NECESSARY TO MAINTAIN OUR FLEXIBILITY IN COMMITTING FUNDS TO THE AREA

IN FY 79 AS RECIPIENTS COOPERATE OVER THE NEXT YEAR TO REFINE THESE NEW PROJECT IDEAS. MORE GENERALLY, I BELIEVE THE PROGRAM FOR THE CARIBBEAN IS OF HIGH PRIORITY BOTH TO FULFILL OUR POLITICAL COMMITMENTS IN THE AREA AND TO JUSTIFY OUR NEW MULTILATERAL/REGIONAL APPROACH TO ECONOMIC DEVELOPMENT THERE. THE US HAS SOUGHT TO FORM A REGIONAL ECONOMIC COOPERATION GROUP TO PLAN AND COORDINATE AID LEVELS FOR THE AREA. WITHOUT A SUBSTANTIAL CONTRIBUTION FROM THE US IT IS POSSIBLE THAT NEITHER THE GROUP NOR NEEDED REFORMS BY RECIPIENTS WILL GET OFF THE GROUND. IT SHOULD ALSO BE NOTED THAT THIS IS AN AREA OF

GENERALLY GOOD HUMAN RIGHTS PERFORMANCE. END TEXT

NOTE FOR SECRETARY;

IN ADDITION TO THE ISSUES JUST LISTED, YOU MAY WANT TO CONSIDER SEVERAL ADDITIONAL QUESTIONS FOR POSSIBLE INCLUSION IN YOUR APPEAL TO THE PRESIDENT.

1. PL 480. THE PRESIDENT CUT THE PL 480 TITLE I REQUEST BY DOLS 229 MILLION, ELIMINATING A PLANNED ONE MILLION WHEAT RESERVE TO PROVIDE A CUSHION AGAINST COMMODITY PRICE INCREASES OR INCREASED REQUIREMENTS ABROAD BY FY 79. THE PRESIDENT ELIMINATED THE RESERVE BECAUSE HE EXPECTED TO SEE HIS COMMITMENT TO ESTABLISH A 2-6 MILLION TON EMERGENCY GRAIN RESERVE REALIZED BY CONFIDENTIAL

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FY 79, THAT THIS RESERVE COULD BE AVAILABLE FOR PL 480 PURPOSES, AND THAT A LARGER PROGRAM WAS DIFFICULT TO JUSTIFY AT THIS TIME ON GROUNDS OF DEVELOPMENTAL EFFECTIVENESS. MCINTYRE INDICATED THAT IF PROGRAM EFFECTIVENESS IMPROVED OR IF THE PLANNED EMERGENCY RESERVE WAS NOT AVAILABLE FOR PL 480 PURPOSES IN FY 79, OMB AND THE PRESIDENT WOULD BE WILLING TO SUPPORT A REQUEST TO CONGRESS FOR SUPPLEMENTAL APPROPRIATIONS. THE ISSUE FOR YOUR DECISION IS WHETHER OR NOT TO APPEAL THE DOLS 229 MILLION CUT.

ARGUMENTS IN SUPPORT OF AN APPEAL INCLUDE THE PROBABILITY THAT FARM PRICES WILL CONTINUE TO RISE THROUGH 1978-79; THAT THE EMERGENCY RESERVE MAY NOT BE ESTABLISHED BY CONGRESS OR IF ESTABLISHED, MAY BE UNAVAILABLE FOR PL 480 USES; AND THAT EFFORTS ARE BEING MADE TO IMPROVE THE DEVELOPMENTAL EFFECTIVENESS OF PL 480.

ARGUMENTS AGAINST APPEALING THE PL 480 CUT INCLUDE THE NEED TO MINIMIZE THE NUMBERS OF APPEALS, THE PROBABILITY THAT CONGRESS WILL ADD TO APPROPRIATIONS REQUESTS FOR THE

HIGHLY POPULAR PROGRAM AND THE OPPORTUNITY TO RETURN LATER IN THE YEAR WITH A MORE PERSUASIVE CASE.

I RECOMMEND THAT WE DO NOT APPEAL, AND PRESERVE THE OPTION TO GO FOR A SUPPLEMENTAL.

APPROVE DISAPPROVE

IF YOU DECIDE, CONTRARY TO MY RECOMMENDATION, TO APPEAL THE PL 480 CUT, WE PROPOSE YOU INCLUDE THE FOLLOWING LANGUAGE IN YOUR APPEAL MEMO TO THE PRESIDENT:

BEGIN TEXT: PL 480. I WOULD LIKE TO APPEAL ALSO
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YOUR DECISION ON PL 480 TO REDUCE THE TITLE I PROGRAM BY
\$229 MILLION, ELIMINATING A 1 MILLION TON WHEAT RESERVE
ABROAD BETWEEN NOW AND FY 79.

IF THE ADMINISTRATION DESIGNS AND CONGRESS PASSES
AN EMERGENCY GRAIN RESERVE BY FY 79 WHICH WOULD BE
AVAILABLE TO MEET TITLE 1 NEEDS, THE 1 MILLION TONS WHEAT
RESERVE WE PROPOSED MIGHT PROVE UNNECESSARY. HOWEVER, I
BELIEVE THAT RELYING ON THE ADMINISTRATION'S PLANNED
RESERVE TO MEET FY 79 PRICE OR PROGRAMMING CONTINGENCIES
IS HIGHLY RISKY. IT IS STILL UNCERTAIN THAT THE
ADMINISTRATION WILL PROPOSE OR CONGRESS WILL LEGISLATE A
RESERVE WHICH WOULD BE AVAILABLE FOR NORMAL TITLE 1 NEEDS
(WHICH ARE NOT USUALLY CONSIDERED EMERGENCY). MOREOVER,
WHILE PL 480 SERVES HUMANITARIAN AND ECONOMIC DEVELOPMENT
OBJECTIVES ABROAD - AND EFFORTS ARE NOW BEING MADE TO
IMPROVE THE DEVELOPMENTAL IMPACT OF THIS PROGRAM - IT IS
ALSO AN EXTREMELY IMPORTANT TOOL TO SUPPORT US FOREIGN
POLICY INTERESTS ABROAD. UNLIKE OTHER FORMS OF FOREIGN
ASSISTANCE, FOOD AID CAN BE DEPLOYED QUICKLY, IS
RELATIVELY UNENCUMBERED BY CONGRESSIONAL RESTRICTIONS,
AND IS VERY POPULAR DOMESTICALLY. END DRAFT PARAGRAPH
TO BE INSERTED IN MEMORANDUM TO THE PRESIDENT.

2. AFRICAN DEVELOPMENT FUND (AFDF).

THE PRESIDENT REDUCED THE PROPOSED US CONTRIBUTION
TO THE AFDF IN FY 79 FROM \$50 MILLION TO \$25 MILLION.
ARGUMENTS FOR AN APPEAL OF THIS DECISION INCLUDE THE
STRONG SUPPORT FOR THE AFDF IN CONGRESS, WHICH HAS
ALREADY AUTHORIZED THIS \$50 MILLION, AND THE FACT

THAT KEY CONGRESSIONAL LEADERS MAY BE DISAPPOINTED BY
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AN APPROPRIATIONS REQUEST FOR LESS. LESS THAN
\$50 MILLION MIGHT ALSO SIGNAL LUKEWARM SUPPORT FOR
THE FUND BY THE US, AND COULD BE TAKEN BY AFRICANS AS
CASTING DOUBT ON OUR COMMITMENT TO ECONOMIC AND SOCIAL
DEVELOPMENT IN THE REGION. ARGUMENTS AGAINST APPEAL-
ING THE AFDF DECISION ARE THAT TREASURY, WHICH BUDGETS
THIS PROGRAM, IS ONLY PLANNING A LOW LEVEL, NON-PRES-
IDENTIAL APPEAL AND THAT CONGRESS WILL PROBABLY RESTORE
THE CUT ANYWAY.

I RECOMMEND INCLUDING THIS APPEAL.

APPROVE DISAPPROVE

IF YOU DECIDE TO MAKE THIS APPEAL I PROPOSE
THE FOLLOWING LANGUAGE IN YOUR MEMO TO THE PRESIDENT:

BEGIN TEXT

AFRICAN DEVELOPMENT FUND

I AM REQUESTING A RESTORATION OF THE \$25 MILLION
CUT FROM THE AFRICAN DEVELOPMENT FUND IN ORDER TO ENABLE
THE US TO MEET OUR STRONG COMMITMENT TO ECONOMIC AND
SOCIAL DEVELOPMENT NEEDS IN AFRICA AND TO RESPOND TO THE
HIGH PRIORITY PLACED ON THIS PROGRAM BY KEY MEMBERS OF
CONGRESS. WE WOULD BE SENDING A HARMFUL SIGNAL TO
AFRICAN NATIONS IF WE REQUESTED AN APPROPRIATION OF LESS
THAN THE \$50 MILLION ALREADY AUTHORIZED BY THE CONGRESS.
END TEXT.

3. ORGANIZATION OF AMERICAN STATES. THE PRESIDENT
REDUCED U.S. VOLUNTARY CONTRIBUTIONS TO THE OAS FROM \$20
MILLION TO \$17.5 MILLION FOR FY 79. AMBASSADOR MCGEE
ARGUES THAT A LEVEL OF ONLY \$17.5 MILLION WOULD GIVE
LATIN AMERICANS A CONFUSED SIGNAL ABOUT OUR INTENTIONS TO
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FOLLOW UP ON THE PRESIDENT'S AND YOUR INITIATIVES.
\$17.5 MILLION WOULD BE LESS THAN THE EXECUTIVE BRANCH
LEVEL OF \$20.0 MILLION REQUESTED OF THE CONGRESS FOR
FY 78 AS WELL AS LESS THAN OUR 1976 CONTRIBUTION TO
FEWER OAS DEVELOPMENT PROGRAMS.

ARGUING AGAINST AN APPEAL ON THE OAS IS THE FACT
THAT THE CONGRESS IS HIGHLY
UNLIKELY TO APPROVE MORE THAN \$17.5 MILLION, SINCE IT IS
ANNOYED THAT THIS REPRESENTS 66 PERCENT OF THE VOLUNTARY
CONTRIBUTIONS, AND IS SEEN ON THE HILL AS TOO HIGH A SHARE
FOR THE U.S. FURTHER, 17.5 IS LAST YEARS APPROPRIATION
LEVEL.

I RECOMMEND AGAINST AN APPEAL, SINCE IT HAS MUCH
LOWER PRIORITY AND COULD DISTRACT ATTENTION FROM MORE
IMPORTANT ISSUES.

APPROVE DISAPPROVE

IF YOU DECIDE CONTRARY TO MY RECOMMENDATION, TO APPEAL
THE OAS, WE WOULD INCLUDE THE FOLLOWING LANGUAGE IN YOUR
MEMO TO THE PRESIDENT.

BEGIN TEXT

I ALSO WISH TO APPEAL YOUR DECISION TO REDUCE THE U.S.

VOLUNTARY CONTRIBUTION TO THE OAS FROM \$20 MILLION TO \$17.5 MILLION. THIS PROGRAM IS AN IMPORTANT ELEMENT IN OUR RELATIONS WITH LATIN AMERICA. REQUESTING THE SAME LEVEL PROVIDED IN FY 78 COULD SEND A CONFUSING SIGNAL OF YOUR INTENTION TO FOLLOW UP ON YOUR REGIONAL INITIATIVES AND COULD HURT OUR EFFORTS TO BUILD LATIN AMERICAN SUPPORT FOR POLICIES OF KEY IMPORTANCE TO US IN CONFIDENTIAL

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OUR GLOBAL RELATIONSHIPS, ESPECIALLY ON HUMAN RIGHTS, PEACEKEEPING AND THE PANAMA CANAL. END TEXT

FOLLOWING IS DRAFT OF SECOND PART OF MEMORANDUM FOR PRESIDENT. BEGIN TEXT:

II. SECURITY ASSISTANCE

WE HAVE AGREED WITH OMB TO RESTORE CUTS IN THE IMET PROGRAMS FOR CHAD (\$175,000), UPPER VOLTA (\$125,000) AND MALI (\$100,000); WE ARE NOT APPEALING CUTS OF PROGRAMS FOR IVORY COAST, RWANDA OR SIERRA LEONE. I WISH TO APPEAL, HOWEVER, FOR THE FOLLOWING RESTORATIONS IN SECURITY ASSISTANCE PROGRAMS:

1. MAP FOR PHILIPPINES:

WE REQUEST \$18.1M IN MAP AND \$18.5M IN FMS FINANCING, INSTEAD OF \$36.6M IN FMS ONLY. WE BELIEVE RESTORATION OF A MAP COMPONENT IS ESSENTIAL TO THE CURRENT BASE NEGOTIATIONS. WHILE I BELIEVE WE SHOULD IN THE FUTURE TRY TO AVOID LINKING MAP TO BASE AGREEMENTS, THE FACT IS THAT BOTH WE AND THE PHILIPPINES HAVE LONG RECOGNIZED MAP AS AN IMPLICIT QUID PRO QUO FOR THE BASES, AND MANILA HAS STATED FIRMLY THAT FMS CREDITS ARE NO SUBSTITUTE.

NEITHER IN THIS YEAR'S HEARINGS NOR IN OUR RECENT AND EXTENSIVE CONSULTATIONS, HAS CONGRESS QUESTIONED THE PRINCIPLE OF MAP FOR THE PHILIPPINES IN THE BASE NEGOTIATIONS CONTEXT. \$18.1 M FOR MAP IS THE MINIMUM NECESSARY TO DEMONSTRATE CONTINUITY, TO ASSIST THE PHILIPPINES WITH BADLY NEEDED DEFENSE EQUIPMENT, AND TO EASE THIS ALLY'S FOREIGN DEBT SERVICE PROBLEM. IT HAS BEEN DELIBERATELY REDUCED FROM LAST YEAR'S REQUEST OF \$20 MILLION TO DEMONSTRATE HUMAN RIGHTS CONCERNS.

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2. CYPRUS REFUGEE RELIEF: YOU DISAPPROVED OUR PROPOSED 8.0 MILLION REQUEST FOR THE CYPRUS REFUGEE RELIEF FUND. CONGRESS INITIATED A \$15 MILLION APPRO-

PRIATION FOR THIS SPECIFIC PURPOSE FOR FY 78. I PROMISED BRADEMANS AND SARBANES, FOLLOWING THEIR EXPRESSION OF INTEREST IN THIS PROGRAM, THAT OUR FY 79 BUDGET REQUEST WOULD INCLUDE FUNDS FOR CYPRUS. A DECISION NOT TO INCLUDE CYPRUS COULD BE INTERPRETED AS INDIFFERENCE TO THAT ISLAND'S PROBLEMS AND DIMINISHED INTEREST IN PROMOTING A SETTLEMENT THERE. A MINIMAL AMOUNT MIGHT BE \$2 MILLION.

3. SECURITY SUPPORTING ASSISTANCE FOR JAMAICA: YOU DELETED OUR PROPOSED \$10 MILLION SSA REQUEST FOR JAMAICA. WE ARE PROVIDING JAMAICA \$10.0 MILLION IN SSA IN FY 78 IN SUPPORT OF THE MULTI-YEAR PROGRAM JAMAICA HAS NEGOTIATED WITH THE IMF TO OVERCOME ITS CRITICAL ECONOMIC SITUATION. THE IMF IS SATISFIED WITH JAMAICA'S PROGRESS THUS FAR. NOT TO CONTINUE THIS ASSISTANCE AT THE SAME LEVEL FOR THE NEXT FISCAL YEAR COULD JEOPARDIZE THIS PROGRESS.

4. FMS FINANCING FOR LEBANON: YOU DELETED OUR REQUEST FOR A SUPPLEMENTAL FY 78 PROGRAM OF \$50 MILLION IN FMS FINANCING, AND INSTEAD ALLOWED \$50 MILLION RATHER THAN \$25 MILLION IN FY 79. I INDICATED TO PRESIDENT SARKIS IN AUGUST THAT WE ARE CONSIDERING A THREE YEAR \$100 MILLION FMS CREDIT PROGRAM; YOUR DECISION WOULD LEAVE US \$25 MILLION SHORT OF THAT PLEDGE.

WE HOPE OUR WELL PUBLICIZED ASSISTANCE WITH \$25 MILLION IN REPROGRAMMED FY 77 FUNDS WILL HELP THE LEBANESE DECIDE SOON TO MOVE MILITARY FORCES INTO SOUTH CONFIDENTIAL

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LEBANON. CONTINUITY IS ALL-IMPORTANT, SO THAT THE MOMENTUM IS NOT SLOWED. WITHOUT FY 78 FINANCING A CALENDAR YEAR MIGHT ELAPSE BEFORE WE COULD RESUME CONTRACTING, AND DELIVERIES OF SOME LONG LEAD TIME ITEMS MIGHT BE DELAYED PAST 1980. REPROGRAMMING FROM OTHER COUNTRIES IN FY 1978 IS NOT DESIRABLE. THEREFORE I REQUEST RESTORATION OF A SUPPLEMENTAL PROGRAM IN FY 78 OF \$50 MILLION IN FMS FINANCING, AND A \$25 MILLION LEVEL IN FY 79.

5. SSA FOR JORDAN: I RECOMMEND RESTORATION OF \$50 MILLION FOR PARTIAL FUNDING OF THE MAQARIN DAM AND THE JORDAN RIVER IRRIGATION SYSTEM. WE ACCEPT CUTS MADE ELSEWHERE IN THE JORDAN SSA PROGRAM; RESTORATION OF THIS \$50M WOULD BRING THE TOTAL TO \$153.M RATHER THAN THE \$167M WE ORIGINALLY REQUESTED.

THE PROPOSED MAQARIN DAM WILL IMPROVE AND REGULATE WATER DEVELOPMENT AND SHARING IN THE JORDAN-SYRIA-WEST BANK-ISRAEL AREA. SYRIA HAS ACQUIESCED IN JORDANIAN

PLANS AND JORDAN AND ISRAEL ARE IN SUFFICIENT AGREEMENT TO PERMIT FURTHER JORDANIAN REFINEMENT OF TECHNICAL DETAILS. ISRAEL IS MAKING APPROVAL CONTINGENT ON DIRECT TECHNICAL TALKS BETWEEN THE TWO COUNTRIES, WHICH WE ARE REASONABLY CONFIDENT WILL OCCUR. WE SHOULD BE PREPARED TO MAKE A SUBSTANTIAL, INITIAL FINANCIAL COMMITMENT FOR FY 1979. IDEALLY, THIS SHOULD BE THE INITIAL \$50

MILLION TRANCHE OF A THREE-YEAR COMMITMENT OF \$150 MILLION. THIS WOULD HELP JORDAN TO SECURE MAJOR FINANCIAL CONTRIBUTIONS FROM OTHER INTERNATIONAL DONORS. THIS IS A "REGIONAL" PROJECT, WHICH COULD BECOME A BELLWEATHER OF ISRAELI-ARAB COOPERATION AFTER A COMPREHENSIVE PEACE SETTLEMENT. IN THE MEANTIME, IT COULD REMAIN A HOSTAGE TO CONTINUED JORDANIAN GOOD BEHAVIOR IN THE ISRAELI-ARAB CONFLICT. THE PROJECT HAS BEEN WELL-CONFIDENTIAL

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RECEIVED IN CONGRESS, ESPECIALLY AMONG THOSE FAMILIAR WITH THE IMPLICATION FOR ARAB-ISRAELI COOPERATION.
END TEXT OF MEMORANDUM TO THE PRESIDENT

CLEARED BY: S/P:ALAKE, M:BHREAD, AA/PPC:ASHAKOW
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CHRISTOPHER

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